

## Message Text

LIMITED OFFICIAL USE

PAGE 01 MEXICO 06747 250015Z  
ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 /124 W

-----044477 250356Z /73

R 142354Z APR 78  
FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC 9749  
INFO USMISSION GENEVA

LIMITED OFFICIAL USE MEXICO 06747

USMTN

E.O. 11652: N/A  
TAGS: ETRD, MTN, MX  
SUBJECT: MEXICAN TAXATION OF IMPORTED ALCOHOLIC  
BEVERAGES

REFS: (A) STATE 093053; (B) GENEVA 05492; (C) MEXICO  
5012

1. WHEN WE MADE ORAL REPRESENTATIONS (PER REFTTEL A) TO  
HECTOR HERNANDEZ, UNDER SECRETARY OF COMMERCE FOR FOREIGN  
TRADE, HE SHOWED FAMILIARITY WITH TOPIC AND OUR CONCERNS  
BUT GAVE US NO INDICATION GOM IS CONSIDERING DOING  
ANYTHING ABOUT IT. HE STRESSED THE NON-DISCRIMINATORY  
ASPECT OF THE TAX AMONG FOREIGN SUPPLIERS AND APPEARED  
NOT TO UNDERSTAND OUR CONCERN OVER NON-NATIONAL TREATMENT.  
HE DID NOT RESPOND TO POINTS OF PARA 5 WHICH WE STRESSED.  
WE AGREED MATTER WAS APPROPRIATE FOR U.S./MEXICAN TRADE  
SUBGROUP MEETING OF MAY 11-12.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MEXICO 06747 250015Z

2. WE HAD EARLIER SPOKEN TO LIC. FRANCISCO GIL DIAS, NEW  
DIRECTOR GENERAL FOR REVENUE POLICY OF TREASURY. HE WAS  
ALSO FAMILIAR WITH PROBLEM ALTHOUGH NOT IN PRESENT OFFICE  
WHEN NEW TAXATION WAS PROMULGATED. HE SAID TAXATION  
MEASURES WERE DEVELOPED WITHIN TREASURY WITHOUT REFERENCE  
TO MINISTRY OF COMMERCE WHICH HAD NOW LET TREASURY KNOW  
OF ITS OBJECTIONS. HE EXPLAINED TREASURY'S ACTION ON

BASIS OF OLD PROCEDURE AND "FAILURE TO REALIZE IMPLICATIONS OF DIFFERENTIAL TAXATION FOR CURRENT IMPORT REGULATION POLICIES OR FOR GATT NEGOTIATIONS". HE SAID POLICY OF DIFFERENTIAL INTERNAL TAXATION OF ALCOHOLIC BEVERAGES HAD BEEN NECESSARY TO ENSURE CONTROL AND REVENUE FOR GOM DUE TO WIDESPREAD SMUGGLING AND USE OF IMPORT QUOTAS FOR ALCOHOLIC BEVERAGES IN PAST WITH RELATIVELY LOW TARIFFS. IN ADDITION HE REFERRED TO NEED TO LIMIT IMPORT OF LUXURY GOODS BY RAISING THEIR DOMESTIC PRICE. TREASURY WAS NOW CONSULTING WITH COMMERCE OVER NEW REGULATIONS.

3. THE SECOND SENTENCE OF PARAGRAPH SIX OF REFTEL (C) HAS AN ERROR. IT SHOULD READ 115 PERCENT, NOT 15 PERCENT. THIS ADMINISTRATIVE PROCEDURE FOLLOWS FROM ARTICLE 34, SECTION II(A), OF THE LAW. ALTHOUGH THIS DOES WORK A HARDSHIP ON INTRODUCTION OF NEW BRANDS AND PREVENTS RAPID MARKET EXPANSION, THIS PROVISION APPARENTLY IS BEING APPLIED EQUALLY TO DOMESTIC AS WELL AS FOREIGN BRANDS. HENCE WE WITHDRAW OUR ORIGINAL COMMENT THAT THE ADMINISTRATION OF THE LAW CREATED AN NTB.

4. COMMENT: GIL DIAZ'S COMMENTS CONFIRM OUR ORIGINAL OPINION THAT MINISTRY OF COMMERCE KNEW NOTHING OF NEW LAW OR EVEN PRECEDING POLICY OF INTERNAL TAXATION ON ALCOHOLIC BEVERAGES UNTIL EMBASSY ECONOFF POINTED OUT EFFECTS TO GARRIDO'S FORMER AIDE, MARIO RODRIGUEZ. HOWEVER WE DO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MEXICO 06747 250015Z

NOT BELIEVE COMMERCE IS AS POWERLESS IN THIS MATTER AS GARRIDO IMPLIED IN REFTEL (B). GARRIDO CREATES PROBLEMS WHERE NONE MAY EXIST IN ORDER TO EXTRACT CONCESSIONS. GIL DIAZ, FOR EXAMPLE, IS KNOWN TO THE ECONOFF TO BELIEVE THAT MEXICO WOULD GREATLY BENEFIT FROM FREER TRADE. HE CONSULTED THE ECONOFF ON TECHNIQUES FOR CALCULATING EFFECTIVE RATES OF PROTECTION BEFORE HE MADE SUCH A STUDY ABOUT A YEAR AGO FOR THE GOM.

5. WE BELIEVE IT IS QUITE POSSIBLE GOM WILL OFFER TO REMOVE QUOTAS ON THE TABLE WINES PLUS THE DISCRIMINATORY TAX AND REPLACE IT WITH A 100 PERCENT TARIFF AS THEY HAVE BEEN DOING FOR OTHER ALCOHOLIC BEVERAGES. WE SUGGEST WE SHOULD TELL THEM THAT NO INDUSTRY SHOULD BE SO INEFFICIENT AS TO NEED MORE THAN A 50 PERCENT TARIFF, WHICH IS ABOUT ALL IT ORIGINALLY HAD UNDER EITHER THE TARIFF OR INTERNAL TAX SEPARATELY BEFORE THE CASCADE EFFECT WHICH THE GOM WILL ADMIT WAS AN OVERSIGHT. THEN WE COULD POINT OUT THAT MOST COUNTRIES USE AN EQUAL SPECIFIC TAX ON BOTH DOMESTIC AND FOREIGN ALCOHOLIC BEVERAGES TO AVOID CASCADING, SIMPLIFY PROCEDURE, AND ATTAIN SOCIAL GOALS. ALSO, WE COULD MAKE SAME POINT ABOUT 100 PERCENT TARIFF ON BEER AND

WHISKEY. SUCH HIGH TARIFFS ENCOURAGE SMUGGLING. ALSO  
THEY DO NOT SATISFY MEXICAN ARGUMENT OF NEED TO LIMIT AND  
TAX LUXURY IMPORTS BECAUSE THEY DO NOT FALL ON DOMESTIC  
PRODUCTION BUT RATHER ENCOURAGE IT BY RESTRAINING COMPE-  
TITION AND RAISING DOMESTIC PRICE. MEXICAN POLICY OF  
REPLACING QUOTAS WITH HIGH TARIFFS IS MERELY A CONTINUATION  
OF OLD IMPORT SUBSTITUTION POLICY WITH NEW INSTRUMENTS AND  
IS UNLIKELY TO WORK ANY BETTER. END COMMENT. THOMPSON

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CUSTOMS DUTIES, ALCOHOLIC BEVERAGES, IMPORT CONTROLS, DIPLOMATIC REPRESENTATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978MEXICO06747  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780175-1000  
**Format:** TEL  
**From:** MEXICO USMTN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780455/aaaabuld.tel  
**Line Count:** 124  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** e79d01b0-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 STATE 93053, 78 GENEVA 5492, 78 MEXICO 9  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2963297  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MEXICAN TAXATION OF IMPORTED ALCOHOLIC BEVERAGES  
**TAGS:** ETRD, MX, US, MTN  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/e79d01b0-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014